

RED AND WHITE SECURITIES LIMITED

To: The Board of Directors of Arsenal Holdings Plc:

Peter Hill-Wood,
Ivan Gazidis,
Ken Friar,
Sir Chips Keswick,
Lord Harris of Peckham,
Stanley Kroenke

With copy to:

David Miles,
Mark Gonnella

5th July 2012

Re: Open Letter to the Board of Directors of Arsenal Holdings Plc (the "Club")

Dear Sirs,

In recent weeks a couple of separate actions have occurred, which have caused us, as a near 30% shareholder in the Club, to have serious concerns about the approach of the Board and the management team:

- Firstly, there were some very deliberate and public comments by Ivan Gazidis which were intended to leave the Club's supporters with an impression that Red & White is in some bitter stand-off with the Board over its desire for a Board seat and that our involvement on the Club's Board might cause conflict and "destabilize" the Club; and
- Secondly, OJSC MegaFon (Russia) received a cold call letter from Mr Gazidis requesting a meeting to discuss a possible international partnership deal including shirt sponsorship. MegaFon is one of the three largest mobile phone companies in Russia and also happens to be over 50% owned by Alisher Usmanov. Is this really the level of professionalism that is being applied to securing long-term commercial contracts?

Let us not forget that we have invested circa £200 million of cash in the equity of the Club. We are part of this Club and naturally want the best for it, but our investment is less important than

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the fact that we are loyal supporters and will never do anything that would destabilize or “create conflict” at the Club.

We do however believe that you, the Board, and the executive management team should focus your energies on the most efficient operation of the Club and desist from seeking to create a false enemy in Red & White. In our view it is clear that you are trying to distract attention from the more fundamental issues facing the Club, and which indeed many of the supporters discuss through social media sites and other forums on a regular basis. These are the financial model, the lack of investment and the Club’s future strategic direction.

However, before addressing these points, it is important to deal with the issues surrounding a Board seat for Red & White once and for all. As you all know well, Mr Usmanov has never sought for himself a Board seat at the Club. Indeed Mr Usmanov does not hold any board seat in any of the companies where he is an investor. Since the purchase of our first share in the Club, we have not only steadfastly adhered to a policy of non-interference in the running of the Club, but have consistently supported the management and given no reason whatsoever to be accused of subversion or sabotage. The history of our voting in support of the Board at the annual general meetings is proof of this.

Indeed, in any conversation about conflict, it is clear from a look at the history of the Club in recent years that the Board has achieved conflict without the help of any outside parties, notably the acrimonious departures of David Dein, Keith Edelman, Lady Nina Bracewell-Smith and Richard Carr, who then reappeared on the Football Club Board. You also instituted a lock-down agreement originally to prevent Mr Kroenke from gaining control and then, later, to exclude our involvement even though there were no grounds or need to do so.

The real conflict seems to be between the supporters’ expectations and your vision for the Club and at the heart of this is the policy of so-called self-financing. The self-financing model was created to suit the major shareholders at the time, all of whom subsequently sold their shares. The previous decision by the Board to fund the building of the Emirates Stadium with long-term debt was, we believe, certainly not about self-financing. If it had been, it would have been

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funded through a mixture of debt and non-dividend equity. Instead it allowed, in our view, the major shareholders of the time, who happened to all be Board directors, to load the Club with a liability, to benefit from increased future revenue streams and consequent increase in the value of their holdings, whilst avoiding dilution of their equity. The Board of the time then appeared to pursue a policy of increasing ticket prices and squeezing the fans to cover the short term cost increases which allowed them to bridge until all of these shareholders and Board directors sold 100% of their holdings and cashed out at vast profits.

This policy does not seem to have changed. We have sought and been refused any meetings with Mr Kroenke despite the fact that we own almost 30% of the Club or to put another way almost 1 in every 3 seats in the stadium. It is clear that our stated policy for the major shareholders, namely Mr Kroenke and ourselves, to inject non-dividend paying equity into the Club by way of a rights issue to reduce the debt and invest in the future is of no interest to the Board. Mr Kroenke was sold a vision by the Board at the time that the Club could be successful without further investment, so he is pursuing a similar policy which is to run the Club without any investment and to avoid any dilution of his equity, a good part of which was funded by a loan from Deutsche Bank AG to KSE, UK, Inc. at the time of the mandatory offer. The status of that loan and whether it is still outstanding has not been clarified by Mr Kroenke.

As a consequence of this policy, which is dressed up as prudent financial planning, it is down to our manager, and not the shareholders, to have to deal with the Club's tight finances, carry the burden of repaying the stadium debt by selling his best players and having to continue to find cheaper replacements. All of that, naturally, comes at the expense of performance on the pitch.

This policy is leading to the loss of our best players, often to our main competitors, and even causes the players themselves to question their future at the Club and the Club's ambitions. The situation with our captain and outstanding performer from last season Robin van Persie sums this up. Yet again we are faced with losing our true marquee player at the Club because we cannot assure him of the future direction and give confidence that we can win trophies. Where are the safeguards to ensure that this doesn't happen again and again in the future? As a top Club we should, at the very least, match if not beat the offers that other clubs make to try and lure our

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very best players away, and also provide a more compelling vision of the future. You can try and put a good face on a bad game for as long as you want, pontificating about the merits of this model, but it will not hide the obvious fact that it just does not allow our great manager to fully realize his managerial talent and deliver success for the fans who are paying the highest prices in the land. It appears that a place in the Champions League will be the pinnacle of our ambition again next season. Unfortunately, in the future we may see this ambition lowered further. It doesn't help to turn a blind eye to the reality of the situation and keep thinking of ourselves as being in the same league as Real Madrid, Chelsea, Manchester City and Barcelona. To have a fighting chance of success, which means winning trophies, we need to match them in every aspect, including, if not first and foremost, financial.

So what is Red & White's vision for the Club? It is simple. A debt free Club, with a big enough war chest to buy top talent players who can hit the ground running and who can complement the Club's long tradition of developing young players and homegrown talent. Together they can help the Club win the most prestigious trophies – because it is the trophies which are the crowning achievement for everybody at the Club. The trophies are also key to the commercial success of the Club – they increase the value of the players, the value of the brand, attract the best sponsors and maximize the value of our commercial contracts which should in turn mean that the Club does not have to squeeze any more income from hard pressed fans. We also believe in the transparency that a stock market listing brings so are committed to the Club remaining listed on the stock exchange and to greater fan involvement both through share ownership and also Board representation for the fans.

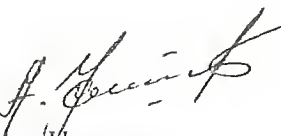
Today we wish the majority shareholder Mr Kroenke every success in running the Club, even though we have deep reservations about the viability of the policies being pursued by his management team and sanctioned by the Board.

Finally and reflecting our long-term commitment to the Club, we will continue to purchase more shares in the Club from anyone who wants to sell them to us. Also in order to formalize our long-term involvement with the Club and put an end to any speculation over our position, we, as the co-owners of Red & White, will proudly retain our holding in the Club as a long-term


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investment for ourselves and our family members to benefit for generations to come. We want the absolute best for the Club and will do what is necessary to ensure the success of the Club that we all love.

Yours sincerely,



Alisher Usmanov



Farhad Moshiri